



## CABINET OFFICE



HM Treasury

Meg Hillier MP  
Chair, Public Accounts Committee  
House of Commons  
London  
SW1A 0AA

23 June 2021

Dear Chair,

### **RISK MANAGEMENT**

In the Twenty-Ninth Report of Session 2019-21: Whitehall Preparations for EU Exit (Cabinet Office and HM Treasury), the Committee made a recommendation (5) that the civil service should consider the development of standard principles, particularly for planning for unexpected scenarios, which would put government in a better position to respond quickly. Government agreed this recommendation and highlighted work led by the Civil Contingencies Secretariat (CCS) to deliver a systematic assessment of risk using cross-government, medium-term tools, such as the National Security Risk Assessment. Additional developments were also highlighted that ensure that risks are viewed holistically, create easier data flows across departments and wider system to coordinate the most disruptive challenges, and make sure decisions are coordinated.

At the preceding oral evidence hearing on the 8 October 2020, there was a more detailed discussion on this National Security Risk Assessment and how this is used across government departments. We referenced the work led by the Government Finance Function to revise and publish guidance in the [Orange Book](#), which sets out the standards for risk management in Government. This document includes a specific supporting principle (B4) that boards should use horizon-scanning and scenario planning to identify and consider the nature of emerging risk, threats and trends, including using the CCS assessment and other available expertise, such as the work of the Government Office for Science.

We also referenced the work underway to increase the professionalism of those engaged in risk management practices across government, supported by a Risk Management Centre of Excellence (CoE) within the Government Finance Function, led by Cat Little. During the COVID-19 pandemic, the CoE has regularly brought together representatives of CCS with risk management leads across government departments to ensure that there has been a common understanding of scenarios and assumptions around the risks that impact departmental responses. They also produced supplementary guidance on risk management on COVID-19 response and recovery and worked with the commercial, grant and counter-fraud functions to embed risk management and control design within their additional guidance.

These developments have continued in parallel and aligned with our continuous improvements in planning, risk and performance management, where we have embedded enhanced requirements

for the transparent identification and management of principal risks within the Spending Review, the development of Outcome Delivery Plans, and performance analysis and disclosures within Annual Report & Accounts through changes to the Financial Reporting Manual. Clear consideration of risks and their lifecycle management has also been embedded within the [Outsourcing Playbook](#) and the [Construction Playbook](#).

More recently, the [Boardman Review](#) of Government Procurement in the COVID-19 pandemic, published on 7 May 2021, recognised that progress has been made in the last two years, while making some important observations and recommendations on risk management and contingency planning. The report highlights the need to improve planning for future pandemics, within and across each department, with this coordinated through CCS working with departmental risk managers to coordinate the sharing of intelligence and inform common appreciation of different risks. Furthermore, the report recommends that government instigate a programme of training for risk managers, with certification and formal accreditation, common standards and a central body that can coordinate assessments of full definition of risk. The government is strongly committed to learning lessons from the pandemic and has accepted all the recommendations arising from this report.

The [NAO report on the initial learning from the government's response to the COVID-19 pandemic published](#) on 19 May 2021 similarly emphasised that the pandemic and government's response so far have highlighted the importance of carrying out robust risk planning to identify and assess the wide-ranging consequences of major emergencies and prepare "playbooks" for the most significant impacts. It also stressed the importance of being clear about risk appetite and risk tolerance as the basis for assessing risk trade-offs when acting quickly in emergencies. This increasing focus on dynamic and continually evolving [risk appetite](#) was recognised with the revision of the Orange Book. In October 2020, the Risk Management CoE published additional guidance on risk appetite, developed by risk practitioners in the public sector to support colleagues in implementing effective risk management arrangements based on their experience in achieving optimised outcomes during the pandemic with clarity about trade-offs - both to allow essential operations to continue and new ones to scale-up rapidly. This guidance is currently being refreshed, with input from the NAO, and will be re-published shortly.

The NAO report on central oversight of arm's-length bodies also references the work of the Risk Management CoE in leading the oversight and reporting of principal risks to the Civil Service Board (CSB). This analysis was most recently presented in April 2021. The analysis brings together a view of risks that impact multiple departments and that can seriously affect the overall performance or reputation of the Civil Service. This allows consideration of areas where the CSB should focus collectively to support and add to the management of risks within departments. This 'bottom up' analysis is consolidated from the principal risks set out in strategic risk registers across departments and is presented alongside the strategic perspectives of functional risk owners, the Government Internal Audit Agency and the NAO.

In building from these developments in recent years, progressing the accepted recommendations from these reviews, and learning lessons from the experience of the pandemic, we will:

- **Strengthen leadership and enhance credibility** to promote and embed good practice risk management processes within departments, continue to develop principal and emerging risk analysis for the Civil Service Board, and increase the support for and coordination of reviews that examine actions and plans for the effective management of these risks;

- **Collaborate across boundaries** to understand and embed lessons on where risks could be managed better or more transparently to improve business-as-usual service delivery and help us to cope better with future emergency responses. This will include more collaborative and shared horizon-scanning and risk intelligence that identifies and assesses aspects that may impact on medium-term strategies and delivery within and across departments; and
- **Enhance capabilities and drive professionalism** to promote innovation and increase confidence to take considered risks through professionalising risk management, building risk management awareness and knowledge across leaders at all levels of government organisations, and influencing the risk culture of the Civil Service.

Cabinet Office and HM Treasury will also continue to work closely with departments and all government functions to drive improvements in risk processes and culture ahead of and through the next spending review.


We are copying this letter to the Chair of the PACAC, Comptroller and Auditor General and the Treasury Officer of Accounts.

Best wishes,



**Alex Chisholm**

Civil Service Chief Operating Officer



**Cat Little**

Director General, Public Spending, HM Treasury